

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
EXECUTIVE SUMMARY**

BOND FINANCING PROGRAM

Applicant:	University of San Francisco San Francisco, California San Francisco County	Bond Par Amount:	\$27,000,000
		Loan Term:	30 years
		Date Requested:	April 27, 2000
		Resolution Number:	176
Facility Type:	Private College		
Accreditation:	Western Association of Schools and Colleges		
Project: Bond proceeds will be used to build a new residential facility and to reimburse the University of San Francisco (USF) for previously incurred architectural and engineering costs.			
Type of Issue:	Public Offering, Weekly Variable Interest Rate		
Credit Enhancement:	Letter of Credit from Allied Irish Bank		
Expected Rating:	Aa3/VMIG1 (Moody's), based on Allied Irish Bank's rating		
Senior Underwriter:	Banc of America Securities LLC		
Bond Counsel:	Brown & Wood		
Financial Overview: The University of San Francisco is a strong organization with unrestricted net assets over \$150 million. In order to remain a competitive learning institution, USF management has embarked on several facility improvement projects over the past three fiscal years and has increased spending for academic support. To enhance revenues to pay for these improvements, USF management has actively pursued capital campaigns to increase donor contribution levels. Lower realized/unrealized gains, due to recent market fluctuations, have impacted unrestricted net assets. However, the school maintains a strong balance sheet and projects revenues will increase, as expenses remain stable.			
Sources of Revenue (\$000) - FY 5/31/99:			
(Unrestricted Funds)		Amount	Percent
Tuition and fees		\$104,576	69.5%
Auxiliary revenue		18,361	12.2%
Contributions		11,028	7.3%
Grants and contracts		6,731	4.5%
Investment income		5,692	3.8%
Other		1,895	1.3%
Net assets released from restrictions		1,162	0.8%
Net realized/unrealized gains on investments		913	0.6%
Total unrestricted revenue		<u>\$150,358</u>	<u>100.0%</u>
Sources of Funds:		Uses of Funds:	
Par amount of CEFA bonds	\$27,000,000	Construction/renovation	\$24,300,000
		Reimbursement	2,200,000
		Financing costs	<u>500,000</u>
Total Sources:	<u>\$27,000,000</u>	Total Uses:.....	<u>\$27,000,000</u>
Staff Recommendation: Staff recommends the Authority approve a resolution for an amount not to exceed \$27,000,000 for the University of San Francisco, subject to the bonds being rated at least "A" by a nationally recognized rating agency.			

STAFF SUMMARY AND RECOMMENDATION
University of San Francisco

April 27, 2000
 Resolution Number: 176

I. PURPOSE OF FINANCING.

The University of San Francisco will construct a housing project located on campus which will enhance the University's ability to both attract and retain qualified faculty, staff and students while sustaining itself through its ongoing revenue streams.

Construction Project..... \$24,300,000

The University of San Francisco will construct a 110-unit residential facility located on the northern section of the University's campus. USF secured approval from the San Francisco Planning Commission for this project on February 24, 2000 and finalized construction drawings in early March 2000. Site work commenced in early April 2000 and the project will be ready for occupancy by August 2001 to accommodate the demand for the fall term of 2001.

Expense Reimbursement \$2,200,000

USF has paid \$2.2 million in architectural and engineering costs and is requesting reimbursement for these costs at closing.

Financing Costs \$500,000

Letter of credit fee.....	100,000
Counsel Fees	90,000
Underwriter Discount	208,000
Other	102,000

TOTAL USES OF FUNDS..... \$27,000,000

Financing Structure:

- Variable rate set every 30 days.
- 30 year maturity.
- Public Offering.
- Letter of Credit from Irish Allied Bank with an initial five-year term.
- Letter of credit to provide a Aa3/VMIG1 rating by Moody's.

II. FINANCIAL STATEMENTS AND ANALYSIS

University of San Francisco
Statement of Activities (000's)
(Unrestricted Funds)

	Period Ending May 31,		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
SUPPORT AND REVENUES:			
Tuition and Fees	\$ 104,576	\$ 99,706	\$ 96,411
Grants and Contracts	6,731	7,869	7,358
Investment Income	5,692	6,085	5,350
Contributions	11,028	4,441	6,406
Net realized/unrealized gains on investments	913	13,476	11,222
Auxiliary Revenue	18,361	17,772	16,574
Other	1,895	1,483	1,526
Total Revenue	<u>149,196</u>	<u>150,832</u>	<u>144,847</u>
Net Assets released from restrictions	1,162	11,057	1,899
Total Revenues and other additions	<u>150,358</u>	<u>161,889</u>	<u>146,746</u>
EXPENSES:			
Instruction	57,660	53,385	52,459
Research	718	920	546
Public Service	628	693	686
Academic Support	16,317	15,612	15,272
Student Services	11,675	11,612	10,988
Institutional Support	16,683	16,139	15,805
Scholarships and Fellowships	21,682	19,288	18,748
Auxiliary Enterprises	15,606	15,325	14,911
Other	1,641	1,160	1,428
Total Expenses	<u>142,610</u>	<u>134,134</u>	<u>130,843</u>
Increase in unrestricted net assets	7,748	27,755	15,903
Unrestricted net assets - beginning of the year	<u>149,435</u>	<u>121,680</u>	<u>105,777</u>
Unrestricted net assets - end of the year	<u>\$ 157,183</u>	<u>\$ 149,435</u>	<u>\$ 121,680</u>

University of San Francisco
Statement of Financial Position (000s)

	As of May 31,		
	1999	1998	1997
ASSETS:			
Cash and equivalents	\$ 20,373	\$ 14,904	\$ 20,892
Receivables	31,134	27,305	28,688
Investments:			
Marketable Securities	148,599	150,064	126,229
Real Estate	14,215	14,460	14,360
Real Estate held for development	3,515	3,649	16,601
Investments receivable from trustees	15,938	14,457	2,681
Prepaid expenses and other	3,688	3,810	3,501
Property, plant, and equipment, net	115,366	107,026	100,477
TOTAL ASSETS	\$ 352,828	\$ 335,675	\$ 313,429
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 12,844	\$ 10,391	\$ 11,203
Deferred revenue	7,653	8,251	7,603
Federal student loan funds	8,519	8,688	8,494
Bonds payable	74,660	74,935	75,000
Total Liabilities	103,676	102,265	102,300
Net Assets:			
Unrestricted:			
Designated for specific operating purposes	13,198	15,301	21,893
Net investment in plant	66,580	62,945	47,428
Designated endowment	77,405	71,189	52,359
Total - Unrestricted	157,183	149,435	121,680
Temporarily restricted	27,041	25,658	33,058
Permanently restricted	64,928	58,317	56,391
Total Net Assets	249,152	233,410	211,129
TOTAL LIABILITIES AND NET ASSETS	\$ 352,828	\$ 335,675	\$ 313,429

Financial Ratios:

	Proforma			
	<u>FYE May 31, 1999</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Debt Service Coverage	2.92	3.96	8.66	6.25
Expendable net assets/debt	1.81	2.47	2.34	2.06
Expendable net assets/operations		1.29	1.31	1.18
Margin		5.15%	17.14%	10.84%

Financial Discussion:

The University of San Francisco is a strong organization with unrestricted net assets over \$150 million. In order to remain a competitive learning institution, the USF management has embarked on several facility improvement projects over the past three fiscal years and has increased spending for academic support.

To attract and retain qualified faculty, staff, and students, management has made many improvements to campus facilities over the past three years. In 1996, a CEFA bond was issued to refund two prior CEFA bonds and to provide an additional \$30 million for new resident hall construction, law school expansion, various campus facility renovations and new equipment purchases.

The USF management has also increased spending in the areas of instruction, academic support, and university funded scholarships and fellowships to maintain overall student enrollment levels while increasing the size and quality of the freshman class. Tenured, full-time faculty, for example, has risen 28% over the academic years 1996-2000 (total FTE increased 5% over the same period). Spending on scholarships and fellowships has also increased. During the past three fiscal years, capital outlay for this expense increased 16%. These increased expenditures have resulted in a 23% increase in 1999-2000 freshman enrollment, compared to 1996 enrollment, and stable matriculation and enrollment levels.

To enhance revenues to pay for these improvements, USF management has actively pursued capital campaigns to increase donor contribution levels.

USF completed its "Building a Bold Tomorrow" campaign in March 1997 and is currently in the "quiet phase" of a new campaign. A feasibility study and plan was completed in November 1999 and presented to the Board of Trustees in December 1999. The University projects that the public phase of the campaign will begin in the fall of this year. Although tuition and fees currently represent 70% of total revenues while contributions represent just 7%, over the past three fiscal years, tuition and fees, as a revenue source, have increased 8% (tuition charged to students over the period increased 11%) while contributions have increased 72%.

Lower realized/unrealized gains, due to recent market fluctuations, have impacted unrestricted net assets. However, the school maintains a strong balance sheet and projects revenues will increase as expenses remain stable.

Income from net realized and unrealized gains on investments decreased significantly from FYE 1998 to FYE 1999. Management attributes the decrease to market fluctuations since neither investment strategy nor asset allocation changed from FYE 1998 to FYE 1999.

Although reduced investment income has resulted in a significantly lower increase in unrestricted net assets, as compared to prior years, unrestricted net assets have increased 29%, over the past three fiscal years, for a current balance of \$157 million. Furthermore, expendable net assets to operations ratio has remained constant at approximately 1.2 and the debt coverage ratio, although down from prior levels, remains at good 3.96.

Should this proposed financing be approved, USF's long term debt will be over \$101 million compared to \$157 million in total unrestricted net assets. The proforma debt service coverage ratio of 2.92 suggests USF can manage this debt and meet its obligations given its current operations.

Management projects the new housing project, prior facility improvements, and capital campaigns will enable USF to experience a 1-2% enrollment increase over the next three years. Coupled with a minimal increase in expenses, management expects net revenues to remain stable over the next three years.

III. STUDENTS, COLLEGE COSTS, AND FACULTY STATISTICS.

Applications and New Enrollments

Freshman*

Fall Semester	Number of Apps.	Offered Admission	New Enrollments
1999	3,505	2,805	766
1998	3,064	2,372	645
1997	2,990	2,300	605
1996	2,573	1,987	621
1995	2,799	2,149	566

Transfer*

Number of Apps.	Offered Admission	New Enrollment
1,088	798	339
959	740	341
1,122	886	372
1,164	942	431
1,342	1,018	456

*Headcount, not full-time equivalent

Freshman and Transfer (Combined)*

Fall Semester	Number of Apps	Offered Admission	Selectivity Ratio	New Enrollments	Matriculation Ratio
1999	4,593	3,603	78.4%	1,105	30.7%
1998	4,023	3,112	77.4%	1,032	33.2%
1997	4,112	3,186	77.5%	977	30.7%
1996	3,737	2,929	78.4%	1,054	36.0%
1995	4,141	3,167	76.5%	1,100	34.7%

*Headcount, not full-time equivalent

Graduate Programs*

Fall Semester	Number of Apps	Offered Admission	Selectivity Ratio	New Enrollments
1999	1,994	1,188	59.6%	694
1998	1,980	1,255	63.4%	600
1997	2,073	1,395	67.3%	884
1996	1,971	1,261	64.0%	772
1995	1,776	1,253	70.6%	660

*Headcount, not full-time equivalent

Law School*

Fall Semester	Number of Apps	Offered Admission	Selectivity Ratio	New Enrollments
1999	2,510	1,205	48.0%	242
1998	2,325	945	40.6%	256
1997	2,525	1,038	41.1%	244
1996	3,000	1,251	41.7%	252
1995	3,497	1,056	30.2%	223

*Headcount, not full-time equivalent

Enrollments and Degrees

Academic Year	Enrollments			Degrees Awarded	
	Undergrad. FTE	Graduate FTE	Total FTE	Bachelor	Graduate
1999-2000	4,430	2,848	7,278	Not Available	
1998-99	4,415	2,679	7,094	1,231	1,129
1997-98	4,415	2,809	7,224	1,144	1,062
1996-97	4,506	2,766	7,272	1,214	1,087
1995-96	4,418	2,710	7,128	1,154	1,031

Tuition and Fees

UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
1999-2000	\$17,710	7,838	\$25,548
1998-99	\$16,630	7,610	\$24,240
1997-98	\$15,846	7,260	\$23,106
1996-97	\$14,920	6,934	\$21,854
1995-96	\$14,008	6,670	\$20,678

Faculty

FACULTY SUMMARY (Full-Time Equivalent)

Academic Year	Tenured Full-time	Other Full-time	Part Time FTE	Total FTE
1999-2000	174	113	130	417
1998-99	160	116	135	411
1997-98	147	123	133	403
1996-97	136	130	131	397
1995-96	153	111	130	394

IV. BACKGROUND

University of San Francisco:

The University of San Francisco, a California corporation, is a private non-profit educational institution founded in 1855 and is located on a 51.7-acre hilltop near Golden Gate Park in San Francisco, California. USF enrolls approximately 7,900 undergraduate and graduate students in its six colleges and professional schools. Eighty percent of the University's students are from California, ten percent are from other states and ten percent are from outside the United States. Furthermore, women and minority students who are United States residents comprise 60% and 31% of the total student body, respectively. Fifty-three percent of the students are under age 25, while 46% are age 25 to 54 and 1% are age 55 and over. The University's faculty includes approximately 700 full and part-time members. The Alumni Association includes 70,000 graduates throughout the world.

Administration:

The University is governed by a self-perpetuating Board of Trustees, which is presently composed of 44 members. Members of the sponsoring religious body, the Society of Jesus, constitute approximately one-third of the membership while the remaining Trustees represent diverse backgrounds: religious, financial, legal, cultural, educational and mercantile. The University welcomes persons of all religious persuasions as members of its student body, faculty and administration.

Accreditation and Affiliations:

The University of San Francisco was originally accredited by the Western Association of Schools and Colleges (WASC) in 1949. The last WASC site visit was in 1997, which resulted in reaffirmation of USF's accreditation.

The USF School of Law is accredited by the Committee of Bar Examiners of the State Bar (State Bar Examiners). The original accreditation was in 1937, with the most recent in 1995. The USF School of Law was also accredited by the American Bar Association in 1932, by the American Association of Law Schools in 1937, and by the State Bar of California in 1937. All of these accreditations continue to remain in effect.

The USF School of Nursing was first accredited by the National League for Nursing in 1958. Its most recent accreditation was in 1997, and is scheduled for reaccreditation in 2004. The School of Nursing's most recent accreditation by the California Board of Registered Nurses was in 1995, and is scheduled for renewal in 2000.

The McLaren College of Business was initially accredited by the American Assembly of Collegiate Schools of Business in 1953. Its most recent reaccreditation was in Fall 1989, and is scheduled for reaccreditation in 2004.

USF's programs and disciplines further maintain five other accreditations and 31 affiliations from various educational review organizations

Religious Certification:

Because USF is affiliated with a religious denomination, it was required to provide both a certification of compliance with the provisions of the CEFA Act relating to religion, and a more comprehensive certification detailing compliance with the specific standards as required by the Authority.

Staff Counsel and Bond Counsel have reviewed the certifications and have determined that USF responded satisfactorily to all questions.

Competition:

USF's principal competitors are other universities located within California. However, USF has distinguishing characteristics that enable it to compete with other institutions, which are its Jesuit Catholic Mission, a wide range of academic majors and special programs, a culturally diverse student body and the San Francisco location.

Specific programs offered by USF that are unique include: the joint degree program with the California College of Arts and Crafts; the dual degree program in Teacher Education; the Advance Degree/Bachelor of Science program in the School of Nursing; and the Hospitality Management program in the McLaren School of Business.

V. OUTSTANDING DEBT.

As of May 31, 1999, USF had \$74.66 million of outstanding Authority debt. With this financing, the outstanding amount will increase to \$101.66 million. USF does not maintain any other long-term debt.

Issue Name:	Original Amount	Amount Outstanding As of 2/29/00	Estimated Amount Outstanding after Proposed Financing
Existing			
<i>CEFA Revenue bonds, Series 1996</i>	\$75,000,000	\$74,660,000	\$74,660,000
Proposed			
<i>CEFA Revenue bonds, Series 2000</i>			27,000,000
Totals		<u>\$74,660,000</u>	<u>\$101,660,000</u>

VI. STAFF RECOMMENDATION. Staff recommends the Authority approve a resolution for an amount not to exceed \$27,000,000 for the University of San Francisco, subject to the bonds being rated at least "A" by a nationally recognized rating agency.